
ELDON INSURANCE SERVICES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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ELDON INSURANCE SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

P Chase-Gardener
John William Gannon
Michael David Lee

COMPANY SECRETARY

Jordan Company Secretaries Ltd

COMPANY NUMBER

06334001

REGISTERED OFFICE

21 St Thomas Street
Bristol
BS1 6JS

AUDITOR

Baker Tilly UK Audit LLP
Registered Auditor and Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

SOLICITORS

New Law LLP
Ross House
Scott Harbour
Cardiff Bay
Cardiff
CF10 4PJ

ELDON INSURANCE SERVICES LIMITED

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ELDON INSURANCE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and the financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company in the year under review is claims handling. Turnover represents commission and transaction fees received from insurance companies based on claims handling.

The company was established to provide claims handling services for insurance companies and began trading in April 2008, managing claims for policies inception after 1st April 2008.

Performance is measured by KPI's which are set by the company. Such KPI's include the average claims cost, settlement ratio and the average value of recoveries.

RESULTS

The loss for the period, after taxation, amounted to £670,000.

DIRECTORS

The directors who served during the year were:

P Chase-Gardener
John William Gannon
Michael David Lee
William Richard Henderson (resigned 11 December 2008)

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political or charitable donations were made in this year.

FUTURE DEVELOPMENTS

New streamlined claims handling procedures are currently being developed which will give the company other business opportunities downstream - both from other connected companies and also from non-associated insurers.

ELDON INSURANCE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company uses instruments such as cash, leases, loans, debtors and creditors in order to raise finance for the Company's operations. The existence of these instruments exposes the Company to financial risks which are detailed below.

LIQUIDITY RISK/CASHFLOW RISK

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably. This is measured on a monthly basis with reference to the FSA prescribed calculation to ensure maximum coverage. The Company monitors cash flow using sophisticated forecasting techniques to ensure that all liabilities are met when due.

INTEREST RISK

The Company has minimal exposure to interest rate fluctuations on its bank borrowing as these are covered by our parent Company Southern Rock Holdings Limited. Our group monitors are banking facilities and compliance with related covenants as required. Group monies are also monitored to ensure the minimum interest charges are paid with regard to the overdraft charges ensuring the money is used to offset overdraft charges ensuring the money is used to offset overdrafts before being deposited at lower interest rates.

CREDIT RISK

The principal credit risk for the Company arises from its trade debtors as part of the Claims Handling Operations. In order to manage credit risk the directors have incorporated a range of credit control procedures to manage bad debt levels, and to ensure that any debts are collected as soon as reasonable. Strict credit control key performance indicators are reported to ensure that debtors do not exceed the prescribed period. Credit searches are also performed on clients above a certain value to minimise the risk in this area.

EMPLOYEE INVOLVEMENT

The Company supports the principle of equal opportunities. Its policy is that there should be no unfair discrimination on the grounds of sex, age, religion or race. Equal employment opportunities are available to all persons, including the disabled, having full regard to their particular skills and abilities.

The directors believe in encouraging employees to become fully informed of the Company's activities and to be more closely involved in the business and provide ongoing training as necessary.

ELDON INSURANCE SERVICES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Annual reports may differ from legislation in other jurisdictions.

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

AUDITOR

The auditor, Baker Tilly UK Audit LLP was appointed during the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



P Chase-Gardener
Director

Date: 12 May 2009

ELDON INSURANCE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELDON INSURANCE SERVICES LIMITED

We have audited the financial statements of Eldon Insurance Services Limited for the year ended 31 December 2008 as set out on pages 6 to 13.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ELDON INSURANCE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELDON INSURANCE SERVICES LIMITED

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



BAKER TILLY UK AUDIT LLP

Registered Auditor and Chartered Accountants

Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Date: 14 May 2009

ELDON INSURANCE SERVICES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

| | Note | 2008 £000 | 2007 £000 |
|--|-------------|----------------------|----------------------|
| TURNOVER | 1 | 1,601 | - |
| Administrative expenses | | <u>(2,271)</u> | <u>-</u> |
| OPERATING LOSS | 3 | <u>(670)</u> | <u>-</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (670) | - |
| Tax on loss on ordinary activities | 6 | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR | | <u><u>(670)</u></u> | <u><u>-</u></u> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2008 or 2007 other than those included in the Profit and loss account.

The notes on pages 8 to 13 form part of these financial statements.

ELDON INSURANCE SERVICES LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

| | Note | £000 | 2008 £000 | £000 | 2007 £000 |
|--|------|----------------|----------------|----------|--------------|
| FIXED ASSETS | | | | | |
| Tangible fixed assets | 7 | | 739 | | - |
| CURRENT ASSETS | | | | | |
| Debtors | 8 | 1,075 | | - | |
| Cash at bank | | 1,345 | | - | |
| | | <u>2,420</u> | | <u>-</u> | |
| CREDITORS: amounts falling due within one year | 9 | <u>(3,633)</u> | | <u>-</u> | |
| NET CURRENT LIABILITIES | | | <u>(1,213)</u> | | <u>-</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>(474)</u> | | <u>-</u> |
| CREDITORS: amounts falling due after more than one year | 10 | | <u>(196)</u> | | <u>-</u> |
| NET LIABILITIES | | | <u>(670)</u> | | <u>-</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 11 | | - | | - |
| Profit and loss account | | | <u>(670)</u> | | <u>-</u> |
| SHAREHOLDER'S DEFICIT | 12 | | <u>(670)</u> | | <u>-</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P Chase-Gardener

Director

Date: 12 May 2009

The notes on pages 8 to 13 form part of these financial statements.

ELDON INSURANCE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis as the company's parent undertaking Rock Holdings, has agreed to provide continued financial support to the company for at least twelve months from the date of approval of these accounts.

1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Recognition of commission received for the handling of claims is deferred to reflect the amount of time that the average claim is expected to take to settle.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | | |
|---------------------|---|-----|---------------|
| Fixtures & fittings | - | 20% | straight line |
| Office equipment | - | 20% | straight line |
| Computer equipment | - | 33% | straight line |

1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

ELDON INSURANCE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

2. TURNOVER

All turnover arose within the United Kingdom.

3. OPERATING LOSS

The operating loss/profit is stated after charging:

| | 2008 £000 | 2007 £000 |
|--|-------------------|-------------------|
| Depreciation of tangible fixed assets: | | |
| - owned by the company | 187 | - |
| Auditor's remuneration | 12 | - |
| Operating Lease Rentals | 66 | - |
| Profit on Sale of Fixed Assets | 5 | - |
| | <u> </u> | <u> </u> |

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

| | 2008 £000 | 2007 £000 |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 1,412 | - |
| Social security costs | 125 | - |
| | <u> </u> | <u> </u> |
| | <u>1,537</u> | <u> </u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2008 No. | 2007 No. |
|----------------------|-------------------|-------------------|
| Administration Staff | 59 | 0 |
| Managerial Staff | 10 | 0 |
| | <u> </u> | <u> </u> |
| | <u>69</u> | <u>0</u> |

Severance pay and a final contracted payment totalling £89,500 was paid to William Richard Henderson during the year.

5. DIRECTORS' REMUNERATION

| | 2008 £000 | 2007 £000 |
|------------|-------------------|-------------------|
| Emoluments | 139 | - |
| | <u> </u> | <u> </u> |

ELDON INSURANCE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

Remuneration of Directors who are also Directors of the immediate parent undertaking, Rock Holdings Limited, are paid through that company. It is not possible to make an accurate apportionment of remuneration in respect of the various group entities. Any element of that remuneration which is applicable to this Company is not recharged. Details regarding this remuneration can be obtained in the Rock Holdings Limited accounts.

The salary of William Richard Henderson was paid through Eldon Insurance Services Limited and is shown above.

6. TAXATION**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (*2007 - lower than*) the standard rate of corporation tax in the UK (28%). The differences are explained below:

| | 2008 | <i>2007</i> |
|---|--------------|-------------|
| | £000 | <i>£000</i> |
| Loss on ordinary activities before tax | (670) | - |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (<i>2007 - 30%</i>) | (188) | - |
| Effects of: | | |
| Expenses not deductible for tax purposes | 3 | - |
| Capital allowances for year in excess of depreciation | (3) | - |
| Utilisation of tax loss | 188 | - |
| Current tax charge for the year (see note above) | - | - |

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

ELDON INSURANCE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

7. TANGIBLE FIXED ASSETS

| | Office Equipment £000 | Furniture, Fittings and equipment £000 | Computer Equipment £000 | Total £000 |
|-----------------------|-----------------------------|---|-------------------------------|---------------|
| Cost | | | | |
| At 1 January 2008 | - | - | - | - |
| Additions | 77 | 41 | 848 | 966 |
| Disposals | - | - | (40) | (40) |
| At 31 December 2008 | <u>77</u> | <u>41</u> | <u>808</u> | <u>926</u> |
| Depreciation | | | | |
| At 1 January 2008 | - | - | - | - |
| Charge for the year | 13 | 1 | 173 | 187 |
| At 31 December 2008 | <u>13</u> | <u>1</u> | <u>173</u> | <u>187</u> |
| Net book value | | | | |
| At 31 December 2008 | <u>64</u> | <u>40</u> | <u>635</u> | <u>739</u> |
| At 31 December 2007 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

8. DEBTORS

| | 2008 £000 | 2007 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 89 | - |
| Amounts owed by group undertakings | 626 | - |
| Other debtors | 219 | - |
| Prepayments and accrued income | 141 | - |
| | <u>1,075</u> | <u>-</u> |

**9. CREDITORS:
Amounts falling due within one year**

| | 2008 £000 | 2007 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 2,335 | - |
| Other creditors | 650 | - |
| Accruals and deferred income | 648 | - |
| | <u>3,633</u> | <u>-</u> |

ELDON INSURANCE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

The company has minimal exposure to guarantees for its creditors as these are covered by our parent company. Our group company monitors its banking facilities and compliance with related covenants as required. Group monies are also monitored to ensure that the minimum interest charges are paid with regard to the overdraft charges ensuring that the money is used to offset overdrafts before being deposited at lower interest rates.

The company is party to an unlimited cross guarantee given to the group's bankers dated 29 August 2006 guaranteeing all sums due to the bank by members of the group.

10. CREDITORS:**Amounts falling due after more than one year**

| | 2008 | <i>2007</i> |
|------------------------------|-------------|-------------|
| | £000 | <i>£000</i> |
| Accruals and deferred income | <u>196</u> | <u>-</u> |

11. SHARE CAPITAL

| | 2008 | <i>2007</i> |
|---|-------------|-------------|
| | £000 | <i>£000</i> |
| Authorised | | |
| 10,000 Ordinary shares of £1 each | <u>10</u> | <u>-</u> |
| Allotted, called up and fully paid | | |
| 100 Ordinary shares of £1 each | <u>-</u> | <u>-</u> |

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S DEFICIT

| | 2008 | <i>2007</i> |
|-------------------------------|--------------|-------------|
| | £000 | <i>£000</i> |
| Opening shareholder's funds | - | - |
| Loss for the year | <u>(670)</u> | <u>-</u> |
| Closing shareholder's deficit | <u>(670)</u> | <u>-</u> |

13. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2008 or 31 December 2007.

ELDON INSURANCE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

14. CAPITAL COMMITMENTS

At 31 December 2008 the company had capital commitments as follows:

| | 2008 | 2007 |
|---|-------------|-------------|
| | £000 | £000 |
| Contracted for but not provided in these financial statements | - | - |

15. OTHER FINANCIAL COMMITMENTS

The company is committed to the payment of rent for floors 8 & 15 of Cale Cross House in Newcastle and associated parking spaces.

Annual commitments under non-cancellable operating leases expiring:

| | Less Than 1 Year £000 | 2 -5 Years £000 | More Than 5 Years £000 |
|--------------------|--------------------------------------|----------------------------|---------------------------------------|
| Rental Commitments | 9 | 146 | - |

16. RELATED PARTY TRANSACTIONS

The Company has the following related party balances as at 31st December 2008:

| | 2008 | 2007 |
|---|-------------|-------------|
| | £000 | £000 |
| Rock Holdings | (2,335) | - |
| Southern Rock Insurance Company Limited | 626 | - |

The above entities are considered related parties since they are under common ownership and have Directors in common with the Company, who exercise influence over the financial and operating policies of the Company.

The balance held with Rock Holdings Limited relates to a Sub Ordinated loan provided to Eldon Insurance Services Limited of (£693,148) and a funding balance provided of (£1,642,131)

The balance held with Southern Rock Insurance Company Limited is the commission charged for the Claims Handling completed on their behalf. The total value of sales transacted with Southern Rock Insurance Company Limited was £2,124,695.

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate parent undertaking is Rock Holdings Ltd, a company registered the Isle of Man.

The results of Eldon are included in the consolidated accounts of Southern Rock Investments Limited and are publicly available from PO Box 545, Montagu Pavillion, 8-10 Queensway, Gibraltar.